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Chile

Grain and Feed

Annual

2004

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Report Highlights:

A larger wheat harvest due to good weather and high prices will result in a fall in imports for MY2003. Corn imports are expected to expand slightly in spite of the increase in planted area and production, as demand is expected to stay strong.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1]
[CI]

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Executive Summary

Good weather and high wheat prices resulted in an increase in both planted area and production in MY2003. As a result, lower wheat imports are expected, both relative to our forecast and compared to last year's imports. Another expansion in planted area and production is expected in MY2004.

Chile's corn production for MY 2003 will expand as planted area and yields have increased. The forecast for MY2004 also is positive. Import requirements for MY 2003 and 2004 are expected to remain high, as consumption is expected to increase due to an expected expansion in the poultry and hog industries.

Wheat

Production

Although total wheat planted area fell slightly in MY2003, excellent weather during the growing season (mainly in the southern production areas, where 70 percent of Chile's wheat is produced) resulted in an increased production. With moderate rains during the spring and no frost, there were few problems with fungus and other diseases yields reached an all time record average of 4.6 Metric Tons per hectare. These factors also contributed to the excellent quality of the harvest.

For MY 2004, the initial planting survey forecasts only a small increase in the planted area, when compared to the previous year. This increase is attributed to expectations that wheat prices will remain stable and the projected planted area for oats, an alternative crop to wheat, will fall significantly. Oat prices have fallen to a third of what they were at the beginning of the year. Consequently the planted area for oats is expected to be a much smaller and farmers are expected to plant wheat on some of that land instead.

Consumption

Although our PS&D table shows a slight increase in total consumption of wheat, consumption for human use during the last few years has been rather stagnant, albeit at a high level vis a vis the rest of the world. According to the local bakery association, Chileans consume an average of close to 100 kilos of bread per capita per year, making them the second largest consumers of bread in the Western hemisphere after Germany. Approximately 25,000 persons are employed in the industry.

Trade

The new import figures are expected to be much smaller than previously estimated, due to the increased availability of domestic wheat, which reached a record high in MY2003. For MY2004, a further reduction in imports is forecast, as larger harvests and stagnant consumption are expected. Trade sources have indicated that half this year's imports were durum wheat from Canada; the remainder was bread wheat mainly from the U.S. and Argentina. For the second semester they expect to import Soft White Wheat from the U.S., to be mixed with lower quality domestic wheat.

Trade contacts report that domestic import decisions are normally driven by price followed by quality, but sometimes price and/or quality take a second seat when a shipload needs to be filled. Under these conditions a higher price may be paid and/or a lower quality accepted for the remainder portion of the shipment. Consequently, although you would expect importers to get wheat from a U.S. supplier when a higher quality product is sought, the supplier in a third country, even with a lower quality product might get the sale.

Price Band

In November 2003, the Chilean Government set floor and ceiling prices for wheat. The values for the floor and ceiling prices are USD$128 f.o.b. and USD$148 f.o.b. respectively. These prices will remain fixed until 2007. Starting 2008, the floor will be adjusted downward by 2% a year, until 2014, when the President will evaluate whether to continue with the price band system or eliminate it. The reference price will be a fixed amount in USD per ton and it will be published six times a year. The reference price will be based on an average of the daily price for the 30 days preceding the date of publication. For the first semester the relevant market will be FOB an Argentinean port and for the second semester it will be soft red winter wheat #2, FOB Gulf of Mexico. It will be applied on the date of entry of the goods. For wheat flour imports, the same values of the wheat price band are applied, but these are increased by 56%.

PS&D Table

Chile Wheat							
	2002	**Revised**	**2003**	**Estimate**	**2004**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		12/2002		12/2003		12/2004	MM/YYYY
Area Harvested	416	416	425	420	450	424	(1000 HA)
Beginning Stocks	282	372	441	471	406	443	(1000 MT)
Production	1797	1797	1780	1922	1850	1900	(1000 MT)
TOTAL Mkt. Yr. Imports	574	502	400	250	400	250	(1000 MT)
Jul-Jun Imports	420	369	500	430	400	235	(1000 MT)
Jul-Jun Import U.S.	147	118	0	263	0	0	(1000 MT)
TOTAL SUPPLY	2653	2671	2621	2643	2656	2593	(1000 MT)
TOTAL Mkt. Yr. Exports	12	0	15	0	15	0	(1000 MT)
Jul-Jun Exports	12	0	15	0	15	0	(1000 MT)
Feed Dom. Consumption	150	150	150	150	150	150	(1000 MT)
TOTAL Dom. Consumption	2200	2200	2200	2200	2200	2220	(1000 MT)
Ending Stocks	441	471	406	443	441	373	(1000 MT)
TOTAL DISTRIBUTION	2653	2671	2621	2643	2656	2593	(1000 MT)

Import Trade Matrix

Note: Year 2004 figures are for January through June only.

Commodity	Wheat		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2003		2004
U.S.	252584	U.S.	39682
Others		Others	
Canada	139778	Canada	53998
Argentina	92308	Argentina	15081
France	8	Paraguay	5856
		Mexico	2
Total for Others	232094		74937
Others not Listed	0		0
Grand Total	484678		114619

Corn

Production

Good prices, together with favorable weather, had a positive effect on Chile's final total area planted and production in MY2003. Moderate rainfall in the spring with no frost and almost no rain in the fall, contributed to an excellent quality crop with no moisture problem. These factors also contributed to an expansion in the production and another increase is expected in MY2004, as the demand will stay strong due to projected increases in poultry and hog production. Additionally, some alternative crops, such as oats have been deteriorating vis a vis corn. Prices for corn are expected to remain high, as world stocks are reportedly not expanding as fast as global demand.

Consumption and Trade

Although domestic corn production is expected to increase, due to an expansion in the planted area together with an increase in yields, imports are projected to remain stable, as the feed use in the hog and poultry industries continues to expand.

Currently, Argentina is the largest supplier of bulk corn to Chile. This situation is not expected to change, as Argentina continues to have cost/quality advantage. Argentine corn also is subject to a lower import duty rate than U.S. corn, as a result of the Mercosur (80 percent preferential tariff difference). Currently, Argentina pays a duty of 1.2 percent, while U.S. corn is still subject to a 6 percent duty. The U.S. - Chile Free Trade Agreement will remove this difference, but it will not happen until January 1, 2006. As a result imports are expected to come from Argentina and other MERCOSUR members until the reduction in tariff takes place.

PS&D Table

Chile Corn							
	2002	**Revised**	**2003**	**Estimate**	**2004**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		03/2003		03/2004		03/2005	MM/YYYY
Area Harvested	110	110	119	119	0	128	(1000 HA)
Beginning Stocks	275	205	256	213	206	276	(1000 MT)
Production	1190	1190	1200	1321	0	1410	(1000 MT)
TOTAL Mkt. Yr. Imports	1000	1017	1000	1050	0	1000	(1000 MT)
Oct-Sep Imports	933	854	1000	870	0	850	(1000 MT)
Oct-Sep Import U.S.	20	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2465	2412	2456	2584	206	2686	(1000 MT)
TOTAL Mkt. Yr. Exports	59	49	50	58	0	50	(1000 MT)
Oct-Sep Exports	57	0	50	0	0	0	(1000 MT)
Feed Dom. Consumption	2000	2000	2050	2100	0	2200	(1000 MT)
TOTAL Dom. Consumption	2150	2150	2200	2250	0	2350	(1000 MT)
Ending Stocks	256	213	206	276	0	286	(1000 MT)
TOTAL DISTRIBUTION	2465	2412	2456	2584	0	2686	(1000 MT)

Import Trade Matrix

Note: Year 2004 figures are for January through June only.

Commodity		Corn	
Time Period	**Jan-Dec**	**Units:**	**M.T.**
Imports for:	2003		2004
U.S.	1517	U.S.	0
Others		Others	
Argentina	968292	Argentina	381987
Brazil	30513	Brazil	15977
Paraguay	7987	Peru	9
Peru	8	Canada	2
Germany	1	Mexico	1
Total for Others	1006801		397976
Others not Listed	0		0
Grand Total	1008318		397976